

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION  
CITY OF SCOTTSDALE  
PINNACLE CONFERENCE ROOM AT HUMAN RESOURCES  
7575 EAST MAIN STREET  
SCOTTSDALE, ARIZONA 85251  
SEPTEMBER 15, 2009  
APPROVED MINUTES**

**PRESENT:** John Holdsworth, Chairman  
Mike Surguine, Vice-Chairman  
Kate Birchler, Commissioner (departed at 9:20 a.m.)  
Sam Fox, Commissioner (departed at 9:55 a.m.)  
Leon Young, Commissioner

**ABSENT:** David Richard, Commissioner

**STAFF:** Kathy O'Connor, Tourism Development Manager  
Steve Geiogamah, Tourism Development Coordinator  
Raun Keagy, Citizen and Neighborhood Resources

**GUESTS:** Wayne Ecton, Councilman  
Rachel Sacco, SCVB  
Brent DeRaad, SCVB  
Kim Prendergast, City Auditor's Office  
Joanna Munar, City Auditor's Office  
Genia Kehayes, SCVB

**1. Call to Order/Roll Call**

Chairman Holdsworth called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:09 a.m. A formal roll call confirmed members present as listed above, noting the presence of a quorum.

**2. Approval of Minutes**

- a. Regular Meeting - August 18, 2009

**COMMISSIONER BIRCHLER MOVED TO APPROVE THE MINUTES OF THE AUGUST 18, 2009 REGULAR MEETING. COMMISSIONER FOX SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).**

**3. Manager's Report**

- a. Staff bed-tax collection report

Ms. O'Connor reported that the bed-tax is down nearly 8% fiscal year-to-date. Hotel/motel is down 16%, miscellaneous retail down 14%, while restaurant is down 11%. The negatives are slightly smaller than the month prior.

Chairman Holdsworth said he has not seen any changes in trends since the last meeting. Vice-Chairman Surguine noted that since the financial collapse occurred one year ago, year-over-year comparisons from this point forward might not be as negative as they have been. Commissioner Young said the summer has been good, but he entered into it with a conservative forecast. The room rate has not met expectations, but occupancy has been between 70% to 75% across all segments.

b. Smith Travel Report

Ms. O'Connor reported that year-to-date occupancy is down 12% compared to last year, while the average rate is down 20%. RevPar is down 29%.

c. Manager's Update

Ms. O'Connor noted that a joint work-study session is planned between the City Council and the Budget Review Commission on September 29. On October 6, the regular Council meeting will include an agenda item on the Desert Discovery Center. On October 13, a work-study session is scheduled between the City Council and the TDC regarding the proposed bed-tax increase.

**4. City-Wide Noise Issue**

Mr. Keagy said Council directed Staff to prepare three types of noise ordinances for their consideration. One would be a model ordinance of the type that most cities with ordinances use. A second option is a geographically based ordinance that would pertain to just one part of the city. The third type is a combination ordinance designed to be proactive, based on a specified decibel level, with sound disturbances measured at the point of impact, and from which city-sponsored events would be exempt. Enforcement is key, as many cities have had trouble enforcing their ordinances.

During the process, the City plans to continue working with the stakeholder group on a self-policing solution. Since July, the number of noise complaints has continued to go down. If Council decides to pursue one of the options, the City would conduct a public outreach effort before implementing it. The ordinance could be treated as an amendment to the zoning ordinance, or to the City Code.

Councilman Ecton noted that if the stakeholders continue to find success in mitigating the problem on their own, that will influence Council's decision on whether to enact an ordinance or not. Some cities have enacted an ordinance, but do not use it unless a problem develops.

**5. Desert Discovery Center Feasibility Study - Phase Two Update**

Vice-Chairman Surguine reported that there is a sense of urgency as the Sub Committee works to ensure that the necessary steps are taken to get the DDC included in a bond initiative for 2010. The Sub-Committee cannot proceed much further without funding for Phase Two, which could cost as much as \$500,000. This phase will define the scope of the project, produce a market survey, architectural and exhibit designs, preliminary cost estimates, and a business and marketing plan. If the DDC is

included in the bond and is approved by voters, then the construction phase could begin. Without the Phase Two funding, the project could languish for several more years. A few funding options have been identified, including the CIP contingency fund, and the possibility of using the Preserve Fund.

Mr. McCarty noted that there are two Preserve taxes. The Legal Department has confirmed that the second tax could be used to pay for the DDC study. Ms. O'Connor said there is about \$100,000 in bed-tax money that could be available. The Sub-Committee's rationale for their recommendation is that the CIP route would be the most expedient way to proceed. There is controversy in the MSPC about using Preserve money for anything other than land acquisition.

Commissioner Young questioned the value of the DDC since it has not generated considerable momentum despite 15 years of effort. Chairman Holdsworth explained that there has been much controversy over what the Preserve should or should not be. The CVB's studies indicate significant visitor interest in the Sonoran Desert itself and in having a way to experience it directly. Ms. Sacco added that the DDC would allow public engagement with the second most diverse ecosystem on Earth, even as the Valley becomes more urbanized. It would also serve as a way of differentiating Scottsdale as a destination. The project has languished because of politics and the lack of funds.

Chairman Holdsworth said it would be arrogant to think that tourists are going to continue to visit simply because this is Scottsdale. Many places have unique attractions. The Sonoran Desert is the differentiator that Scottsdale needs to continue growing as a destination. Interest has increased as the preserve community and the tourism community have agreed on a common view of what the DDC should be. Vice Chair Surguine said the City has invested a lot of money in the Preserve, yet it is currently not being visited by more than a fraction of residents. Something needs to happen to allow this asset to be utilized by more people, and become a driver of visitation. Phase Two would move it forward, but Council will inquire about the possibility of using Preserve money. Chairman Holdsworth added that Tourism stepped up to support Phase One, but the Preserve community has not, apart from private contributions. This idea should at least be advanced as an option.

Commissioner Young inquired about the possibility of re-imagining the DDC to include a meeting space component that would allow Scottsdale to compete with other cities for groups, and therefore generate revenue that could pay back the bond. Chairman Holdsworth responded that such a proposal would likely meet with the Preserve community's opposition, and he doubted that the location would be suitable. Scottsdale needs such a venue, but that is probably not the best place for it.

In response to an inquiry from Commissioner Young, Chairman Holdsworth said Scottsdale has grown complacent. The Commission's job is to remind Council that visitors might stop coming if Scottsdale fails to invest in tourism's future. If that happens, the City would not be able to afford as much for the community's future because revenue would decline. Another challenge comes in educating residents on how tourism impacts their quality of life. Ms. Sacco said the Scottsdale visitor is changing, and this would be a good time for the CVB to research that change. Ms. O'Connor said the DDC is envisioned as having some type of group function area. Phase Two would help clarify what exactly that might be like. Vice Chairman Surguine said the Commission should

address whether other opportunities exist in the city to create the kind of meeting venue that Scottsdale would benefit from.

**VICE CHAIR SURGUINE MOVED TO RECOMMEND THAT COUNCIL APPROVE FUNDING OF UP TO \$500,000 FOR PHASE TWO OF THE DESERT DISCOVERY CENTER FEASIBILITY STUDY, AND THAT POTENTIAL SOURCES OF THAT FUNDING WOULD BE FROM THE CIP FUND, THE PRESERVE FUND, OR OTHER SOURCES THAT COUNCIL WOULD FIND APPROPRIATE. COMMISSIONER BIRCHLER SECONDED.**

Ms. O'Connor inquired whether the other sources would include the bed-tax. The Commission opted to let the motion stand as presented.

**THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).**

**6. FY09/10 Tourism Development Program Budget Financial Overview and TDC Budget Subcommittee Recommendations**

Vice-Chairman Surguine said the Budget Sub-Committee reviewed an analysis of what the FY09/10 budget was, based on projected bed-taxes. The shortfall is likely to be in the range of from \$400,000 to \$1.1 million. The recommendation is to ask Council to subsidize the bed-tax for up to \$1.1 million from the General Fund for FY09/10, emphasizing that the funding would be an investment, rather than focusing on what would be lost by taking such draconian measures. In response to an inquiry from Chairman Holdsworth, Mr. McCarty said there currently is no budget authority to take money from anywhere else to supplement bed-tax debts, which is why the Commission needs to make a recommendation to Council. Vice Chairman Surguine said the continued reductions in the bed-tax expenditures would only mean continued declines in the City's sales tax revenues.

Ms. O'Connor said Scottsdale is at a crossroads in its current tourism lifecycle, and unless the current effort is preserved, and a proactive effort exists to build for the future, the city would be risking the ability to attract the visitation that it currently does. Mr. McCarty added that Staff has the tools necessary to prepare a comprehensive financial report on the consequences of further reductions.

**COMMISSIONER FOX MOVED TO DIRECT STAFF TO PREPARE A PROGRAM TO TAKE TO THE COUNCIL/BUDGET REVIEW COMMISSION MEETING ON SEPTEMBER 29, AND TO FURTHER DISCUSS THE DETAILS AT THE OCTOBER 13 TDC STUDY SESSION WITH COUNCIL. COMMISSIONER BIRCHLER SECONDED.**

Councilman Ecton said the Commission should be prepared to support the statement that the downturn is not entirely due to the current economy, and is also due to the inability to promote businesses as much as possible. Chairman Holdsworth noted historical parallels in the choices Denver made and still suffers from. Mr. DeRaad said competitive data would help answer that question. Scottsdale's market share continues to decline within its competitive set. Some competing destinations have increased their marketing efforts with positive results. Chairman Holdsworth added that there is also acknowledgement on a Federal level that tourism support is paramount. Vice Chairman Surguine emphasized that Scottsdale is particularly harmed because of its reputation as

a luxury destination. Ms. Sacco said the CVB has programs designed to address that problem, but lacks the money to advertise them as effectively as possible. Vice Chairman said Scottsdale would likely be reaping the rewards right now had it continued the effort to broaden its international outreach effort started two years ago.

**THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).**

**7. Proposed Bed Tax Increase and Allocations**

Ms. O'Connor noted a State statute requiring that any additional bed tax be used for tourism-related purposes, and not be allocated to the General Fund. Staff is preparing a recommendation that could give the CVB 50% of the total bed-tax revenues generated because of the 2% increase. The balance would go to the City's tourism-related activities. In response to an inquiry from Chairman Holdsworth, Ms. O'Connor said that if this proposal were adopted, in essence 100% of the bed-tax could go to tourism-related projects, even the capital portions.

Ms. Sacco said it would help public perception if the CVB were viewed as not just a revenue generator for the bed-tax, but as a revenue generator for the City as a whole. Almost \$37 million of Scottsdale's sales tax revenue comes from visitors, and 74% of that is from non bed-tax sources. Council can decide how great a portion of the remaining 50% would go to the General Fund. Polling indicates that the voters would respond well to the simplicity and transparency of this type of proposal. Chairman Holdsworth said he favors simplicity if it can demonstrate to voters the return on investment, especially if they understand they do not have to bear the burden of the tax. In response to an inquiry from Chairman Holdsworth, Ms. Sacco said the hotel industry supports the proposal providing the 50% percentages were maintained.

**VICE-CHAIRMAN SURGUINE MOVED TO RECOMMEND THAT COUNCIL TAKE THE STEPS NECESSARY TO INCREASE THE BED-TAX, SUGGESTING A 50/50 PERCENTAGE SPLIT, WITH THE DETAILS TO BE WORKED OUT ONCE COUNCIL HAS INDICATED THEIR SUPPORT. COMMISSIONER FOX SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMISSIONER BIRCHLER WAS NOT PRESENT.**

**8. Proposed Competitor Group 2010 P.F. Chang Rock 'n' Roll Agreement**

Mr. Geiogamah noted that the Budget Sub-Committee recommended approval of a one-year contract between the City, the Competitor Group, and the CVB. Chairman Holdsworth inquired about a reduced allocation. Mr. DeRaad responded that the City negotiated a reduced rate of \$75,000, down from \$90,000, without a reduction in benefits. Vice Chairman Surguine expressed concern that by agreeing to approve \$75,000 for the marathon now, the Commission would essentially be relying on the hope that Council chooses to provide money from the General Fund. Mr. DeRaad said the Commission would have until November 1 at the latest to decide. Competitor Group already has promotional material featuring Scottsdale as part of the route.

Commissioner Young inquired about the possibility of using a special assessment on the tourism community. Chairman Holdsworth felt that the possibilities of that happening in

the short term were limited. Ms. O'Connor proposed that the Commission could show support to the marathon by recommending funding to Council along with a description of the economic impact it would provide. Commissioner Fox said that since Competitor Group is moving forward on a good faith effort, the City should have decided months ago if it were not going to move forward with the contract

Ms. O'Connor clarified that \$90,000 is already in the proforma for the marathon contract. Vice Chairman Surguine responded by noting that the Budget Sub-Committee was charged with finding savings out of the existing budget. No problem exists if the CVB's funding remains as is, but if it were cut, this agreement would provide one less available option. Ms. O'Connor said a contract amendment would require Council's approval. Vice Chairman Surguine proposed that the Commission would have a better idea of Council's position by waiting until the next meeting.

**COMMISSIONER FOX MOVED TO TABLE THE ISSUE UNTIL THE OCTOBER MEETING. VICE-CHAIRMAN SURGUINE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMISSIONER BIRCHLER WAS NOT PRESENT.**

**9. Identification of Future Agenda Items**

No items were presented.

**10. Public Comment**

There were no public comments.

**11. Adjournment**

With no further business before the Commission, the meeting adjourned at 9:58 a.m.

Respectfully submitted,

A/V Tronics, Inc. DBA AVTranz.